
SENATE BILL 5764

State of Washington

60th Legislature

2007 Regular Session

By Senators Schoesler and Rasmussen

Read first time 01/31/2007. Referred to Committee on Agriculture & Rural Economic Development.

1 AN ACT Relating to the sales and use taxation of repairs to farm
2 machinery and equipment; and amending RCW 82.08.855 and 82.12.855.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 82.08.855 and 2006 c 172 s 1 are each amended to read
5 as follows:

6 (1) The tax levied by RCW 82.08.020 does not apply to the sale to
7 an eligible farmer of:

8 (a) Replacement parts for qualifying farm machinery and equipment;

9 (b) Labor and services rendered in respect to the installing of
10 replacement parts exempt under (a) of this subsection for farm
11 vehicles, regardless of whether items excluded from the definition of
12 replacement parts in subsection (4)(e)(ii) of this section are
13 installed, incorporated, or placed in the farm vehicle during the
14 course of the installation; and

15 (c) Labor and services rendered in respect to the repairing of farm
16 vehicles, provided that during the course of repairing no tangible
17 personal property is installed, incorporated, or placed in, or becomes
18 an ingredient or component of, the farm vehicle other than: (i)

1 Replacement parts exempt under (a) of this subsection; and (ii) items
2 excluded from the definition of replacement parts in subsection
3 (4)(e)(ii) of this section.

4 (2)(a) Notwithstanding anything to the contrary in this chapter, if
5 replacement parts are installed by the seller during the course of
6 repairing, cleaning, altering, or improving qualifying farm machinery
7 and equipment and the seller makes a separate charge for the parts, the
8 tax levied by RCW 82.08.020 does not apply to the separately stated
9 charge to an eligible farmer for replacement parts but only if the
10 separately stated charge does not exceed either the seller's current
11 publicly stated retail price for the parts or, if no (~~separately~~)
12 publicly stated retail price is available, the seller's cost for the
13 parts. However, the exemption provided by this section shall not apply
14 if replacement parts are installed by the seller during the course of
15 repairing, cleaning, altering, or improving qualifying farm machinery
16 and equipment and the seller makes a single nonitemized charge for
17 providing the parts and service.

18 (b) This subsection does not apply with respect to replacement
19 parts for farm vehicles.

20 (3)(a) A person claiming an exemption under this section must keep
21 records necessary for the department to verify eligibility under this
22 section. An exemption is available only when the buyer provides the
23 seller with an exemption certificate issued by the department
24 containing such information as the department requires. The exemption
25 certificate shall be in a form and manner prescribed by the department.
26 The seller shall retain a copy of the certificate for the seller's
27 files.

28 (b) The department shall provide an exemption certificate to an
29 eligible farmer or renew an exemption certificate, upon application by
30 that eligible farmer. The application must be in a form and manner
31 prescribed by the department and shall contain the following
32 information as required by the department:

- 33 (i) The name and address of the applicant;
- 34 (ii) The uniform business identifier or tax reporting account
35 number of the applicant, if the applicant is required to be registered
36 with the department;
- 37 (iii) The type of farming engaged in;

1 (iv) A copy of the applicant's Schedule F of Form 1040, Form 1120,
2 or other applicable form filed with the internal revenue service
3 indicating the gross sales of agricultural products by the applicant in
4 the calendar year immediately preceding the year that the application
5 was made to the department. If application is made before the due date
6 of the applicant's federal income tax return for the prior calendar
7 year, or any extension of the due date, the applicant shall provide a
8 copy of the appropriate federal income tax form that was due for the
9 second calendar year immediately preceding the year that the
10 application is made to the department. If the applicant is not
11 required to file federal income tax returns, the department may require
12 the applicant to provide copies of other documents establishing the
13 amount of the applicant's gross sales of agricultural products for the
14 relevant calendar year;

15 (v) The name of the individual authorized to sign the certificate,
16 printed in a legible fashion;

17 (vi) The signature of the authorized individual; and

18 (vii) Other information the department may require to verify the
19 applicant's eligibility for the exemption.

20 (c)(i) Except as otherwise provided in this section, exemption
21 certificates issued by the department are not transferable and are
22 valid for the calendar year in which the certificate is issued and the
23 following four calendar years. The department shall attempt to notify
24 holders of exemption certificates of the impending expiration of the
25 certificate at least sixty days before the certificate expires and
26 shall provide an application for renewal of the certificate.

27 (ii) When a certificate holder merely changes identity or form of
28 ownership of an entity and there is no change in beneficial ownership,
29 the exemption certificate shall be transferred to the new entity upon
30 notice to the department by the transferor or transferee.

31 (d)(i) Exemption certificates issued to persons who are eligible
32 farmers under subsection (4)(b)(iii) of this section are conditioned on
33 the person making at least ten thousand dollars of gross sales of
34 agricultural products grown, raised, or produced by that person in the
35 first full calendar year that the person engages in business as a
36 farmer.

37 (ii) A person who is issued a conditional exemption certificate
38 must provide the department with a copy of the person's Schedule F of

1 Form 1040, Form 1120, or other applicable form filed with the internal
2 revenue service indicating the gross sales of agricultural products by
3 the person in the first full calendar year that the person engaged in
4 business as a farmer. If a person is not required to file federal
5 income tax returns, the person shall provide copies of other documents
6 establishing the amount of the person's gross sales of agricultural
7 products for the first full calendar year that the person engaged in
8 business as a farmer. The documentation required in this subsection
9 (3)(d)(ii) is due no later than December 31st of the year immediately
10 following the first full calendar year in which the person engaged in
11 business as a farmer.

12 (iii) If a person fails to provide the required documentation to
13 the department by the due date or any extension granted by the
14 department, or if the condition in (d)(i) of this subsection is not
15 met, the department shall revoke the exemption certificate. The
16 department shall notify the person in writing of the revocation and the
17 person's responsibility, and due date, for repayment of any taxes for
18 which an exemption under this section was claimed. Any taxes for which
19 an exemption under this section was claimed shall be due and payable
20 within thirty days of the date of the notice revoking the certificate.
21 The department shall assess interest on the taxes for which the
22 exemption was claimed. Interest shall be assessed at the rate provided
23 for delinquent excise taxes under chapter 82.32 RCW, retroactively to
24 the date the exemption was claimed, and shall accrue until the taxes
25 for which the exemption was claimed are repaid. Penalties shall not be
26 imposed on any tax required to be repaid if full payment is received by
27 the due date. Nothing in this subsection (3)(d) prohibits a person
28 from reapplying for an exemption certificate.

29 (4) The definitions in this subsection apply to this section.

30 (a) "Agricultural products" has the meaning provided in RCW
31 82.04.213.

32 (b) "Eligible farmer" means:

33 (i) A farmer as defined in RCW 82.04.213 whose gross proceeds of
34 sales of agricultural products grown, raised, or produced by that
35 person is at least ten thousand dollars in the calendar year
36 immediately preceding the year in which a claim of exemption is made
37 under this section;

1 (ii) The transferee of an exemption certificate under subsection
2 (3)(c)(ii) of this section where the transferred certificate expires
3 before the transferee engages in farming operations for a full calendar
4 year, if the combined gross proceeds of sales by the transferor and
5 transferee of agricultural products that they have grown, raised, or
6 produced meet the requirements of (b)(i) of this subsection;

7 (iii) A farmer as defined in RCW 82.04.213, who does not meet the
8 definition of "eligible farmer" in (b)(i) or (ii) of this subsection,
9 and who did not engage in farming for the entire calendar year
10 immediately preceding the year in which application for exemption under
11 this section is made and who did not engage in farming in any other
12 year;

13 (iv) Anyone who otherwise meets the definition of "eligible farmer"
14 in this subsection except that they are not a "person" as defined in
15 RCW 82.04.030.

16 (c) "Farm vehicle" has the same meaning as in RCW 46.04.181.

17 (d) "Qualifying farm machinery and equipment" means machinery and
18 equipment used primarily for growing, raising, or producing
19 agricultural products. "Qualifying farm machinery and equipment" does
20 not include:

21 ~~((Farm vehicles and other))~~ Vehicles ((as those terms are
22 defined in chapter 46.04 RCW, except)) as defined in RCW 46.04.670,
23 other than farm tractors as defined in RCW 46.04.180, farm vehicles,
24 and other farm implements. For purposes of this subsection
25 (4)((e))(d)(i), "farm implement" means machinery or equipment
26 manufactured, designed, or reconstructed for agricultural purposes and
27 used primarily by an eligible farmer to grow, raise, or produce
28 agricultural products, but does not include lawn tractors and
29 all-terrain vehicles;

30 (ii) Aircraft;

31 (iii) Hand tools and hand-powered tools; and

32 (iv) Property with a useful life of less than one year.

33 ~~((d))~~ (e)(i) "Replacement parts" means those parts that replace
34 an existing part, or which are essential to maintain the working
35 condition, of a piece of qualifying farm machinery or equipment.
36 ~~((However,))~~

37 (ii) "Replacement parts" ~~((shall))~~ do not include paint, fuel, oil,
38 grease, hydraulic fluids, antifreeze, and similar items.

1 **Sec. 2.** RCW 82.12.855 and 2006 c 172 s 2 are each amended to read
2 as follows:

3 (1) The provisions of this chapter do not apply in respect to the
4 use by an eligible farmer of:

5 (a) Replacement parts for qualifying farm machinery and equipment;

6 (b) Labor and services rendered in respect to the installing of
7 replacement parts exempt under (a) of this subsection, for farm
8 vehicles, regardless of whether items excluded from the definition of
9 replacement parts in subsection (4)(e)(ii) of this section are
10 installed, incorporated, or placed in the farm vehicle during the
11 course of the installation; and

12 (c) Labor and services rendered in respect to the repairing of farm
13 vehicles, provided that during the course of repairing no tangible
14 personal property is installed, incorporated, or placed in, or becomes
15 an ingredient or component of, the farm vehicle other than: (i)
16 Replacement parts exempt under (a) of this subsection; and (ii) items
17 excluded from the definition of replacement parts in subsection
18 (4)(e)(ii) of this section.

19 (2)(a) Notwithstanding anything to the contrary in this chapter, if
20 replacement parts are installed by the seller during the course of
21 repairing, cleaning, altering, or improving qualifying farm machinery
22 and equipment and the seller makes a separate charge for the parts, the
23 tax imposed by this chapter does not apply to the separately stated
24 charge to an eligible farmer for replacement parts but only if the
25 separately stated charge does not exceed either the seller's current
26 publicly stated retail price for the parts or, if no (~~separately~~)
27 publicly stated retail price is available, the seller's cost for the
28 parts. However, the exemption provided by this section shall not apply
29 if replacement parts are installed by the seller during the course of
30 repairing, cleaning, altering, or improving qualifying farm machinery
31 and equipment and the seller makes a single nonitemized charge for
32 providing the parts and service.

33 (b) This subsection does not apply with respect to replacement
34 parts for farm vehicles.

35 (3) The definitions and recordkeeping requirements in RCW
36 82.08.855, other than the exemption certificate requirement, apply to

1 this section.

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